

Additional Frequently Asked Questions Including Related to Stop Loss Round Two
4/3/07

FEE FOR SERVICE AND FRONT LINE COSTS VS. MANAGEMENT FEE EXPENSES

1. A particular PHA has an intergovernmental agreement with local government for the receipt of maintenance labor. How should that labor be reported? Should those services be recorded as a direct labor expense of the project (under salaries and fringe) or as a contract expense?

Answer: The PHA should consult with its independent auditor, but it would appear that the PHA can either charge the expense under salaries/fringe or, if the arrangement is more like a contract for discrete services rendered, to record the payments under an appropriate maintenance contract line item. If the PHA is also charged a fee over-and-above the actual charge for wages, the PHA would, again with consultation with the PHA's auditor, charge the fee under "other" expense within the Administrative Expense category.

2. For technical maintenance services, PIH Notice 2006-33 indicates that a PHA can either charge actual costs or fee-for-service. For routine maintenance that is performed centrally, a PHA can only charge actual costs, without regard to overhead or supervision. If a contractor can charge overhead, why can't a PHA charge overhead for central maintenance?

Answer: For technical maintenance services, a PHA can charge overhead in the sense that the overhead is imbedded in the market rate for the service rendered. For routine maintenance services that are provided centrally, the Department did not originally allow fee-for-service because of the absence of market-pricing standards (for example, coming up with a fee for picking up litter or replacing window screen). In the Department's revised guidance, PHAs will be required, beginning in the second year of project-based budgeting/accounting, to use fee-for-service for any centrally-provided maintenance. The PHA will be responsible for maintaining source documentation that the rates are reasonable. In all cases, the centrally-provided services must be in the best interests of the project and not cost more than if performed on-site.

3. When will the management fee schedules contained in both PIH Notice 2006-14 and 2006-33 be updated?

Answer: Updated fee schedules are anticipated to be included with the revisions to PIH Notice 2006-33. Meanwhile, the referenced fee schedules remain in effect. A more recent fee schedule will be posted soon to the PIH Stop Loss website:
<http://www.hud.gov/offices/pih/programs/ph/am/stoploss.cfm>

4. Will stop-loss PHAs that have been using the fee-for-service approach and created a COCC prior to July 1, 2007 be limited to the six months of working capital at the COCC at the initial allocation of assets?

Answer: Yes. Per our Frequently Asked Question posted on March 16, 2007, PHAs may begin using fee-for-service prior to their first required year of project-based budgeting and accounting; however, as a condition for early use of fee-for-service, they must assign assets and liabilities by the end of that first year of fee-for-service, including the allocation of initial COCC working capital.

5. When should the COCC pay for the costs associated with the use of space that was paid with program funds?

Answer: The COCC does not need to pay rent for space that was paid with program funds; however, the COCC should pay for all utilities, insurance, upkeep, etc., associated with that space. Where necessary, the PHA can develop a reasonable allocation of such costs to the COCC.

6. In order to charge an asset management fee for multiple AMPs for FYE beginning 7/1/07, would a PHA have to report multiple AMPs on its FYE 6/30/08 financial statements?

Answer: All PHAs with 250 or more units are required to convert to asset management; hence, regardless of the number of AMPs (some PHAs with 250 or more units have just one AMP), these PHAs would be eligible for an asset management fee. For PHAs with fewer than 250 units with more than one AMP, they would need to convert to asset management using the COCC model to be eligible for the asset management fee.

7. How should an agency applying for stop-loss address vacant units for purposes of earning a management fee? Should it use last year's vacancies or projected vacancies?

Answer: For budget purposes, the PHA should use anticipated vacancies, which could be based on past year's experience. However, actual fees earned should be based on the status of each unit at the time the fee is assessed.

8. If a PHA prepared its subsidy forms (HUD 52723) at the start of the year assuming only one AMP, can it subsequently change to two or more AMPs to obtain the \$2 PUM asset management fee?

Answer: No. As previously indicated in the subsidy processing notice, a change in AMPs is not grounds for a revision to the subsidy form (commonly referred to as a budget revision).

AMP

9. When can a PHA change its AMPs? Can it make the change prior to the FYE?

Answer: HUD will soon publish a protocol for revising AMPs. In the meantime, PHAs should direct questions to their field offices. A PHA may be approved for a change in AMPs during a subject fiscal year, if desired, but must agree to maintain accounting records to complete year-end financial statements in accordance with project-based accounting rules.

MIXED FINANCE

10. Should Mixed Finance Projects and COCC buildings be listed as separate AMPs on the Financial Data Schedule (FDS), i.e., should the PHA report separate financial statements for each?

Answer: The ACC units associated with each Mixed Finance project (each phase) should be reported as a separate AMP under the supplemental project schedules of the FDS. If the Mixed Finance project is also a component unit, the entire project (including any non-ACC units) will also be recorded within the entity-wide financial statements. Please refer to GASBS-14, and the PHA GAAP Flyer "Mixed-Finance and Joint Venture Accounting" in making the proper decision, and classification regarding component unit reporting.

COCC buildings should not be reported under separate AMPs on the FDS. Any costs associated with COCC buildings should be included within the COCC column.

MISCELLANEOUS: YEAR TO DATE TERMINOLOGY

11. Several references are made in the stop-loss kit to "year-to-date." Please clarify.

Answer: "Year-to-date", or YTD, captures the financial activity from the start of the fiscal year to the current reporting period. Thus, for a January 1 PHA, a "YTD" report for June 30 would mean the financial activity from January 1 through June 30.